

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

22-7510

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <u>Kingsford Housing Commission</u>		County <u>Dickinson</u>
Audit Date <u>3-31-04</u>	Opinion Date <u>8-25-04</u>	Date Accountant Report Submitted to State: <u>9-1-04</u>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

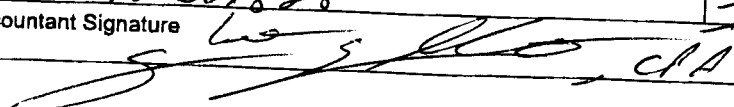
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <u>Anderson, Tackman & Co., PLLC</u>			
Street Address <u>Po Box 828</u>		City <u>Iron Mountain</u>	State <u>MT</u>
Accountant Signature 		ZIP <u>49801</u>	

KINGSFORD HOUSING COMMISSION

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	3-4
Management Discussion and Analysis.....	5-9
Financial statements:	
Statement of Net Assets.....	10
Statement of Revenues, Expenses, and Change in Net Assets.....	11
Statement of Cash Flows – Proprietary Fund.....	12
Notes to the Financial statements.....	13-23
Supplemental Information:	
Financial Data Schedule.....	25-28
Actual Modernization Cost Certificate.....	29
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With “Government Auditing Standards”.....	30



ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:
L. Robert Schaut, CPA
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Kingsford Housing Commission
Kingsford, Michigan

We have audited the accompanying financial statements of the Kingsford Housing Commission as of and for the year ended March 31, 2004 as listed in the table of contents. These financial statements are the responsibility of the Kingsford Housing Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Audit Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kingsford Housing Commission as of March 31, 2004, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards", we have also issued our report dated August 25, 2004 on our consideration of the Kingsford Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be read in conjunction with this report in considering the results of our audit.

As described in Note A to the financial statements, the Commission adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Financial statements-and Management's Discussion and Analysis-For State and Local Governments* and Governmental Accounting Standards Board Statement No 37, an amendment of Statement No. 34. This results in a change in the format and content of the financial statements.

The Management's Discussion and Analysis on pages 5 through 9 is not a required part of the financial statements but is required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of the Kingsford Housing Commission. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Anderson Tackman & Co. PLLC

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

August 25, 2004

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Kingsford Housing Commission's financial performance provides an overview of the financial activities for the year ended March 31, 2004. Please read it in conjunction with the Commission's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- The Commission's net assets were reported for the first time under GASB 34. As such, no comparisons with prior years will be made. In future years, comparative information will be presented in various schedules throughout the MD&A. Net assets for the entire Commission were reported at \$1,450,101.
- During the year, the Commission's operating revenues totaled \$375,709, or 98.2% of total revenues, while operating expenses totaled \$438,644 or 99% of total expenses.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues Expenses and Changes in Net Assets (on pages 10 and 11) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

REPORTING THE COMMISSION AS A WHOLE

Our analysis of the Commission as a whole begins on page 10. One of the most important questions asked about the Commission's finances is "Is the Commission, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Commission's *net assets* and changes in them. You can think of the Commission's net assets – the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the population of low income and elderly individuals.



In the Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets, the Commission's activities are reported as business-type activities:

- Business-type activities – The Commission charges rent to tenants to help it cover all or most of the costs of services it provides.

REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

Our analysis of the Commission's major activities begins on page 10. The financial statements provide detailed information on all of the Commission's activities. The Commission uses proprietary funds to account for its activities. The method of accounting for proprietary funds is explained below.

- *Proprietary funds* – The Commission charges tenants rent for the housing services it provides and these services are reported in a proprietary fund. Proprietary funds are reported in the same way for its activities and are reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets.

THE COMMISSION AS A WHOLE

The Commission's combined net assets at March 31, 2004 decreased \$56,320 from March 31, 2003.

Table 1
Net Assets

Assets:	
Current and other assets	\$ 396,501
Capital assets (net)	<u>1,120,719</u>
Total assets	<u>1,517,220</u>
Liabilities:	
Current and other liabilities	48,392
Other liabilities	<u>18,727</u>
Total liabilities	<u>67,119</u>
Net Assets:	
Invested in capital assets, net of related debt	1,120,719
Unrestricted	<u>329,382</u>
Net Assets	\$ <u>1,450,101</u>



Net assets of the Commission stood at \$1,450,101. Unrestricted net business assets were \$329,382. In general, the Commission's unrestricted net assets is used to fund operations of the Commission.

Table 2
Changes in Net Assets

Revenues:

Program revenues:	
Charges for services	\$ 159,587
Program grants & subsidies	209,176
General revenues:	
Other income	6,946
Unrestricted investment earnings	<u>6,796</u>
Total revenues	<u>382,505</u>

Program Expenses:

Operating expenses	438,644
Loss on sale of fixed assets	<u>181</u>
Total expenses	<u>438,825</u>
Decrease in net assets	(56,320)

Net assets – beginning of period	<u>1,506,421</u>
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Net assets – end of period	\$ <u>1,450,101</u>
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BUSINESS-TYPE ACTIVITIES

Revenues for the Commission totaled \$382,505. The Commission's average unit months leased on a monthly basis had increased slightly during the current year. In addition, HUD operating funds and capital funding grants had decreased during the current year. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004, the Commission had \$3,851,866 invested in a variety of capital assets including land, equipment and buildings as follows:

Table 3
Capital Assets at March 31, 2004
Business – Type Activity

Land and improvements	\$ 265,018
Buildings and improvements	3,432,129
Equipment	124,303
Construction in progress	<u>30,416</u>
Total cost	3,851,866
Less accumulated depreciation	<u>2,731,147</u>
NET FIXED ASSETS	<u>\$1,120,719</u>

The Commission invested \$118,452 in capital assets during the year ended March 31, 2004.



ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commission's appointed officials considered many factors when setting the budget for the fiscal year 2004/2005 budget. The current availability of low income and elderly tenants has been a major contributing factor in establishing the budgeted amounts. In the upcoming year, we do not anticipate any significant change in the occupancy rate and availability of new tenants that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues. All of these were taken into consideration during the 2004/2005 budget process.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director, Cynthia Carlson, at 1025 Woodward Avenue, Kingsford, Michigan 49802, or call 906-774-2771.

**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS



KINGSFORD HOUSING COMMISSION

STATEMENT OF NET ASSETS
Proprietary Fund

March 31, 2004

CURRENT ASSETS:	
Cash and equivalents	\$ 93,725
Accounts receivable	2,241
Investments	287,675
Prepaid expenses	10,826
Interprogram receivable	<u>2,034</u>
TOTAL CURRENT ASSETS	<u>396,501</u>
NONCURRENT ASSETS:	
Capital assets	3,851,866
Less accumulated depreciation	<u>(2,731,147)</u>
NET CAPITAL ASSETS	<u>1,120,719</u>
TOTAL ASSETS	<u>\$ 1,517,220</u>
LIABILITIES:	
Accounts payable	\$ 6,757
Accrued liabilities	39,601
Interprogram payable	<u>2,034</u>
TOTAL CURRENT LIABILITIES	<u>48,392</u>
OTHER LIABILITIES	<u>18,727</u>
TOTAL LIABILITIES	<u>67,119</u>
NET ASSETS:	
Investment in capital assets, net of related debt	1,120,719
Unrestricted net assets	<u>329,382</u>
NET ASSETS	<u>\$ 1,450,101</u>

The accompanying notes to financial statements are an integral part of this statement.

KINGSFORD HOUSING COMMISSION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS Proprietary Fund

For the Year Ended March 31, 2004

OPERATING REVENUES:	
Tenant revenue	\$ 159,587
Program grants-subsidies	209,176
Other income	<u>6,946</u>
TOTAL OPERATING REVENUES	<u>375,709</u>
OPERATING EXPENSES:	
Administration	78,578
Tenant services	512
Utilities	38,514
Maintenance	108,025
General	24,341
Depreciation	<u>188,674</u>
TOTAL OPERATING EXPENSES	<u>438,644</u>
OPERATING (LOSS)	<u>(62,935)</u>
OTHER INCOME (EXPENSES):	
Interest income	6,796
(Loss) on sale of fixed assets	<u>(181)</u>
TOTAL OTHER INCOME (EXPENSES)	<u>6,615</u>
CHANGE IN NET ASSETS	(56,320)
NET ASSETS, BEGINNING OF YEAR	<u>1,506,421</u>
NET ASSETS, END OF YEAR	<u>\$ 1,450,101</u>

The accompanying notes to financial statements are an integral part of this statement.



KINGSFORD HOUSING COMMISSION

STATEMENT OF CASH FLOWS **Proprietary Fund**

For the Year Ended March 31, 2004

OPERATING ACTIVITIES:

Cash received from customers	\$ 158,315
Cash received from grants and subsidies	209,176
Cash payments to suppliers for goods and services	(104,514)
Cash payments for wages and related benefits	(130,454)
Payment in lieu of taxes	(11,811)
Other receipts	<u>6,946</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 127,658

CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of fixed assets	<u>(118,452)</u>
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NET CASH PROVIDED BY CAPITAL AND
RELATED FINANCING ACTIVITIES (118,452)

INVESTING ACTIVITIES:

Proceeds from investments	12,922
Investment income	<u>6,796</u>

NET CASH (USED) BY INVESTING ACTIVITIES 19,718

NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS 28,924

CASH AND EQUIVALENTS, BEGINNING OF YEAR 64,801

CASH AND EQUIVALENTS, END OF YEAR \$ 93,725

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	\$ (62,935)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	188,674
Changes in assets and liabilities:	
Decrease (Increase) in receivables	(1,272)
Decrease (Increase) in prepaids	(329)
Decrease (Increase) in other assets	(2,034)
Increase (Decrease) in accounts payable	(468)
Increase (Decrease) in accrued liabilities	2,361
Increase (Decrease) in other liabilities	<u>3,661</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 127,658

The accompanying notes to financial statements are an integral part of this statement.



KINGSFORD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The Kingsford Housing Commission (Commission) was formed in 1972 under the criteria established for low income housing programs by the United States Department of Housing and Urban Development. The Commission operates under a board of commissioners appointed by the City Council.

The Commission, for financial reporting purposes, includes all of the activities relevant to its operations.

Component Unit

In evaluating how to define the Commission, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, "*The Financial Reporting Entity*".

The criteria established by the governmental Accounting Standards Board for determining the various governmental organizations to be include in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it was determined that the Kingsford Housing Commission is a component unit of the City of Kingsford. The City of Kingsford has assumed the responsibility for the financial reporting of the Kingsford Housing Commission.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

BASIS OF PRESENTATION

During the year the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 34, which substantially revised the financial statement presentation as described below.

Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets display information about the Commission as a whole. They include all business-type activities of the Commission. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.



KINGSFORD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Proprietary Fund

Proprietary Funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

The government-wide Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets are presented using the economic resource measurement focus as defined below.

- a. The Commission utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported.

Basis of Accounting:

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.



KINGSFORD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

As allowed by GASB Statement No. 20, the Commission's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.

ASSETS, LIABILITIES AND NET ASSETS

- a. Cash and Equivalents – The Commission's cash and cash equivalents as reported in the Statement of Cash Flows and the Statement of Net Assets are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable.
- c. Due to and Due From Other Funds – Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.
- d. Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Furniture and other equipment	5-10 years

The Commission has adopted a capitalization policy for capital assets of \$500 per item.



KINGSFORD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS (Continued)

- e. Compensated Absences - It is the Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days, which will be paid to employees upon separation from the City. The cost of vested sick leave and vacation days are recognized as an expense as earned by the employees.

- f. Equity Classification

Government-Wide Statements:

Equity is classified as net assets and displayed in two components:

1. Invested in capital assets.- Consists of capital assets, net of accumulated depreciation
2. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

REVENUES AND EXPENSES

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities. Expenses are classified by operating and nonoperating and are subclassified by function such as salaries, supplies and contracted services.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interfund Activity:

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements.

The transfers of cash between the various Commission activities are reported separately from revenues and expenses as operating transfers in or (out), unless they represent temporary advances that is to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing activity.



KINGSFORD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

OTHER SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund receivables and payables are eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting:

Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on April 1st. The operating budget includes proposed expenses and the means of financing them. Prior to March 31st, the budget is legally adopted by Board resolution.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to March 31st.

The fiscal 2004 budget was adopted on March 20, 2003 and amended on October 15, 2003, January 21, 2004, February 18, 2004 and March 29, 2004.

PENSION PLAN

The Commission has a pension plan covering substantially all of its employees. It is funded by making actuarially determined annual contributions. The Commission participates in the pension plan adopted by the City of Kingsford. See Note C.



KINGSFORD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

(Continued)

NOTE B - CASH AND INVESTMENTS

The Commission maintains segregated cash and investment accounts which are specific to the activity to which they are available.

CASH AND EQUIVALENTS

Cash and equivalents consisted of:

Petty cash	\$ 75
Cash in checking	2,480
Money market	<u>91,170</u>
TOTAL	<u>\$ 93,725</u>

The bank balances were fully insured at March 31, 2004. Cash and equivalents are categorized as follow:

Category 1 - Insured or registered, with securities held by the Commission or its agent in the Commission's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Commissions name.

	<u>Category</u>			<u>Market Value</u>	<u>Bank Balance</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Checking account	\$ 2,480	\$ -	\$ -	\$ 2,480	\$ 5,090
Money market	<u>91,170</u>	<u>-</u>	<u>-</u>	<u>91,170</u>	<u>91,170</u>
TOTAL	<u>\$93,650</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,650</u>	<u>\$96,260</u>



KINGSFORD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

(Continued)

NOTE B - CASH AND INVESTMENTS (Continued)

STATUTORY AUTHORITY

Michigan law (Act 196 PA 1997) authorizes the Commission to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Bankers' acceptance of United States Banks.
- f. Obligations of this State or any of its political subdivisions at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-4 to 80a-64, with the authority to purchase investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperation's act of 1967, 1967 (Ex Sess) PA 7, MCL 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.



KINGSFORD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

(Continued)

NOTE B - CASH AND INVESTMENTS (Continued)

INVESTMENTS

Investments are stated at market value.

Investments consisted of a certificates of deposit and were in accordance with State of Michigan Statutes. Those statutes do not mandate that accounts be partially or fully insured or collateralized. Investments are categorized as follows:

Category 1 - Insured or registered, with securities held by the Commission or its agent in the Commission's name.

Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department

Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Commission's name

	<u>Category</u>			<u>Market</u>	<u>Bank</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>	<u>Balance</u>
Certificates of deposit	<u>\$ 287,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$287,675</u>	<u>\$287,675</u>

The certificates of deposit were fully insured at March 31, 2004.

NOTE C - EMPLOYEE RETIREMENT PLAN

On December 1, 1978, the City of Kingsford adopted employees' Pension Plan B-2 of the state administered Municipal Employees' Retirement System for all eligible full time employees and elected participation pursuant to Member Contribution Program III, Benefits E and E-2 with F55 waiver. Normal retirement benefits are paid employees retiring at age 60 with 10 or more years of service. The F55 waiver allows full pension to be paid to retirees less than 60 years old if they attained age 55 and have 15 or more years of credited service. Commission contributions to the plan amounted to \$5,315 during the year which were equal to the amounts required by the plan.

GASB 25 And GASB 27 Information

The following information has been prepared to provide the information necessary to comply with GASB Statements Number 25 and 27. Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1998.

All entries and the annual employer contribution amount were based on the actuarial methods and assumptions used in the December 31, 2002 actuarial valuation. The entry age normal actuarial method was used to determine the disclosure entries.



KINGSFORD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

(Continued)

NOTE C – EMPLOYEE RETIREMENT PLAN (Continued)

GASB 25 INFORMATION (as of 12/31/02)

Actuarial Accrued Liability

Retirees and beneficiaries currently receiving benefits \$1,153,349

Terminated employees (vested former members) not yet receiving benefits 45,429

Current employees-
Accumulated employee contributions
including allocated investment income 493,095

Employer Financed 1,708,147

Total Actuarial Accrued Liability \$3,400,020

Net Assets Available for Benefits at Actuarial Value 3,420,325

Unfunded (Overfunded) Actuarial Accrued Liability \$ (20,305)

GASB 27 INFORMATION (as of 12/31/02)

Fiscal Year Beginning July 1, 2004

Annual Required Contribution (ARC) \$ 55,740



KINGSFORD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

(Continued)

NOTE D - CAPITAL ASSETS

A summary of capital assets as of March 31, 2004 is as follows:

	Balance 4-1-03	Additions	Deletions	Balance 3-31-04
Land	\$ 28,106	\$ -	\$ -	\$ 28,106
Land improvements	228,785	8,127	-	236,912
Building & improvements	3,348,166	83,963	-	3,432,129
Equipment	124,382	1,212	(1,291)	124,303
Construction-in-progress	<u>5,267</u>	<u>117,239</u>	<u>(92,090)</u>	<u>30,416</u>
	3,734,706	210,541	(93,381)	3,581,866
Accumulated depreciation	<u>(2,543,583)</u>	<u>(188,674)</u>	<u>1,110</u>	<u>(2,731,147)</u>
Net capital assets	<u>\$1,191,123</u>	<u>\$ 21,867</u>	<u>\$(92,271)</u>	<u>\$1,120,719</u>

Depreciation expense for the year was \$188,674.

NOTE E - COMPENSATED ABSENCES

Pursuant to the requirements of the Governmental Accounting Standards Board Statement 16, the Commission accrues a liability for compensated absences which meet the following criteria:

1. The Commission's obligation related to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the Commission has calculated a liability for sick, personal and vacation leave which has been earned but not taken by Commission employees. The amount of \$23,443 is included in liabilities in accordance with FASB Statement 43.



KINGSFORD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

(Continued)

NOTE F - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE G - USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE H - ECONOMIC DEPENDENCY

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total operating revenues for the year ended March 31, 2004 totaled \$375,709 of which \$209,176 or 56% was from HUD subsidies and grants.

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



SUPPLEMENTAL INFORMATION

KINGSFORD HOUSING COMMISSION**Enterprise Fund****Financial Data Schedule**

March 31, 2004

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
ASSETS:				
CURRENT ASSETS:				
Cash:				
111	Cash - unrestricted	93,725	-	93,725
100	Total cash	93,725	-	93,725
Accounts and notes receivables:				
122	Accounts receivable- HUD other projects	-	2,034	2,034
125	Accounts receivable- Miscellaneous	128	-	128
126	Accounts receivable- Tenant - Dwelling Rents	79	-	79
126.1	Allowance for doubtful accounts - dwelling rents	-	-	-
120	Total receivables, net of allowances for doubtful accounts	207	2,034	2,241
Current investments				
131	Investments - unrestricted	287,675	-	287,675
142	Prepaid expenses and other assets	10,826	-	10,826
144	Interprogram due from	2,034	-	2,034
150	TOTAL CURRENT ASSETS	394,467	2,034	396,501
NONCURRENT ASSETS:				
Fixed assets:				
161	Land	28,106	-	28,106
162	Buildings	3,348,166	83,963	3,432,129
163	Furniture, equipment & machinery - dwellings	45,069	12,546	57,615
164	Furniture, equipment & machinery - administration	66,688	-	66,688
165	Leasehold improvements	228,785	8,127	236,912
166	Accumulated depreciation	(2,727,453)	(3,694)	(2,731,147)
167	Construction in progress	-	30,416	30,416
160	Total fixed assets, net of accumulated depreciation	989,361	131,358	1,120,719
180	TOTAL NONCURRENT ASSETS	989,361	131,358	1,120,719
190	TOTAL ASSETS	1,383,828	133,392	1,517,220

See accompanying notes to financial statements



KINGSFORD HOUSING COMMISSION**Enterprise Fund****Financial Data Schedule**

March 31, 2004

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
LIABILITIES AND EQUITY:				
LIABILITIES:				
CURRENT LIABILITIES				
312	Accounts payable ≤ 90 days	6,757	-	6,757
321	Accrued wages / payroll taxes	7,712	-	7,712
322	Accrued compensated absences - current portion	4,716	-	4,716
333	Accounts payable - other government	10,939	-	10,939
341	Tenant security deposits	13,423	-	13,423
342	Deferred revenues	2,811	-	2,811
347	Interprogram due to	-	2,034	2,034
310	TOTAL CURRENT LIABILITIES	46,358	2,034	48,392
354	Accrued compensated absences - non current	18,727	-	18,727
350	TOTAL NONCURRENT LIABILITIES	18,727	-	18,727
300	TOTAL LIABILITIES	65,085	2,034	67,119
EQUITY:				
Contributed Capital:				
508.1	Investment in capital assets, net of related debt	989,361	131,358	1,120,719
512.1	Unrestricted net assets	329,382	-	329,382
513	TOTAL EQUITY	1,318,743	131,358	1,450,101
600	TOTAL LIABILITIES AND EQUITY	1,383,828	133,392	1,517,220

See accompanying notes to financial statements



KINGSFORD HOUSING COMMISSION**Enterprise Fund****Financial Data Schedule**

For the Year Ended March 31, 2004

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
REVENUE:				
703	Net tenant rental revenue	148,018	-	148,018
704	Tenant revenue - other	11,569	-	11,569
705	Total tenant revenue	159,587	-	159,587
706	HUD PHA grants	89,680	2,257	91,937
706.1	Capital grants	-	117,239	117,239
711	Investment income - unrestricted	6,796	-	6,796
715	Other revenue	6,946	-	6,946
716	Gain/loss on sale of fixed assets	(181)	-	(181)
700	TOTAL REVENUE	262,828	119,496	382,324
EXPENSES:				
Administrative				
911	Administrative salaries	37,568	-	37,568
912	Auditing fees	1,874	-	1,874
914	Compensated absences	1,693	-	1,693
915	Employee benefit contributions- administrative	19,437	-	19,437
916	Other operating- administrative	15,749	2,257	18,006
	Total Administrative	76,321	2,257	78,578
Tenant services				
924	Tenant services - other	512	-	512
Utilities				
931	Water	9,109	-	9,109
932	Electricity	16,492	-	16,492
933	Gas	12,913	-	12,913
	Total Utilities	38,514	-	38,514
Maintenance				
941	Ordinary maintenance and operations - labor	49,834	-	49,834

See accompanying notes to financial statements



KINGSFORD HOUSING COMMISSION**Enterprise Fund****Financial Data Schedule****For the Year Ended March 31, 2004**

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
942	Ordinary maintenance and operations - materials & other	9,578	-	9,578
943	Ordinary maintenance and operations - contract costs	18,839	-	18,839
945	Employee benefit contributions- ordinary maintenance	21,922	-	21,922
	Total Maintenance	100,173	-	100,173
	General expenses			
961	Insurance premiums	12,622	-	12,622
963	Payments in lieu of taxes	10,939	-	10,939
964	Bad debt - tenant rents	780	-	780
	Total General Expenses	24,341	-	24,341
969	TOTAL OPERATING EXPENSES	239,861	2,257	242,118
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	22,967	117,239	140,206
971	Extraordinary maintenance	7,852	-	7,852
974	Depreciation expense	185,279	3,395	188,674
900	TOTAL EXPENSES	432,992	5,652	438,644
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	(170,164)	113,844	(56,320)
MEMO account information				
1103	Beginning equity	1,275,737	230,684	1,506,421
1104	Prior period adjustments, equity transfers	213,170	(213,170)	-
1120	Unit months available	816	-	816
1121	Number of unit months leased	800	-	800

See accompanying notes to financial statements



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"**

Joint Board of Commissioners
Kingsford Housing Commission
Iron Mountain – Kingsford, Michigan

We have audited the financial statements of the Kingsford Housing Commission as of and for the year ended March 31, 2004, and have issued our report thereon dated August 25, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Kingsford Housing Commission's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under "Government Auditing Standards".

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Kingsford Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than those specified parties.

Anderson Tackman & Co. P.C.

ANDERSON, TACKMAN & COMPANY, P.L.C.
Certified Public Accountants
Iron Mountain, Michigan

August 25, 2004

